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CAPITOL REPORT

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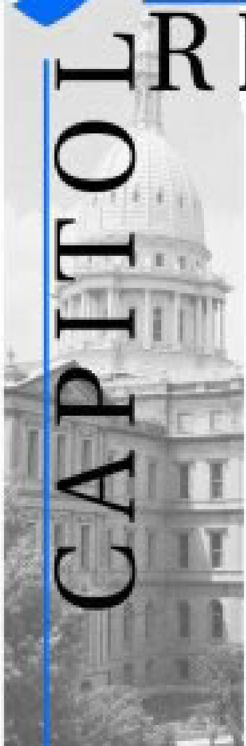

David Hecker
President

Lois Lofton Doniver
Secretary-Treasurer

Louise Somalski
Legislative Coordinator

419 South Washington
Suite 301
Lansing, MI 48933
517-371-4300
FAX 517-371-1922

Lobby Day 2010 - “Better Than Ever”

We want to thank our members and staff for making “Lobby Day 2010" a huge success! We had 222 members attend this year’s Lobby Day, representing 36 of our K-12 teachers and support staff, intermediate school districts, and higher education locals throughout Michigan. This provided legislators with a good view of all aspects of public education in AFT Michigan.

A majority of those attending said they liked the format used this year with breakout sessions in the morning, buffet lunch for members only, and appointment being scheduled with legislators in the afternoon. We appreciate your evaluation responses because it helps us plan for future events.

Our thanks goes out to members for their PAC contributions totaling $469.00. Combined with the amount received at the Leadership Conference the following weekend, the total was $2,954. We hope you will remember how important it is to *continuously communicate with legislators* so they are aware of what you need to better prepare Michigan’s students to become productive citizens. **Also remember that candidates need our financial support to get elected so they can help us achieve our educational goals.**

2010 - 2011 School Aid Budget

Senate Bill 1163, Sub. S-1 (Jelinek, R-Three Oaks) recommends School Aid funding totaling **$12,707,812,000** for 2010 - 2011, $207,000,000 below the Governor’s recommendation. This budget assumes savings for school districts from pension changes contained in Senate Bill 1227 which has been approved by the Senate Appropriations Committee. Listed below are highlights of the Senate School Aid Budget:

Foundation Allowance. Continues the $165 per-pupil reduction enacted in FY 2009-10 for FY 2010-11. The Senate increases the per-pupil reduction to $283 (or an additional $118 per pupil).

MBT Hold Harmless Provision. Allows for new grantees in the program, but capped each grantee to no more than 15% of the total appropriation. *(Sec. 22e)*

Days and Hours. Adds language saying that districts that provided at least 170 days of instruction in 2009-10 cannot provide fewer days in 2010-11. The Senate also adds language stating that online professional development is encouraged, if approved by the district, and that the Department must issue a list of approved online providers of professional development. The Senate eliminates the requirement for districts to do five hours of professional development online. *(Sec. 101)*

Four-Day Week. Continues to allow districts to apply to the Department for a waiver to the minimum days of pupil instruction requirement of 170, which includes waivers to allow for a four-day week. *(Sec. 101)*

Declining Enrollment Grants. Eliminates.

Federal Special Education Grants. Increases Federal Special Education Grants by $35.0 million, increased Federal School Lunch Grants by $30.0 million, and adjusts other Federal Grands by $8.8 million.

Great Start Readiness Program. Concurs with the Governor to increases the program participation rate of children in poverty from 50% to 75%. *(Sec. 32d)*

Service Consolidation Plans. Requires a report of districts on their implementation of service consolidation plans submitted this year to the Department. The Senate also adds language saying that the additional per-pupil reduction in this section would be offset by employer retirement contribution savings due to a lower than projected retirement rate associated with retirement reforms. *(Sec. 11d)*

School Bus Inspections. Includes an additional $433,800 to support three FTEs in the Michigan State Police to randomly audit locally-inspected buses. Under current law, the MSP is responsible for doing the bus inspections. This proposal would change statute such that local districts would be responsible for the inspections, with MSP conducting random audits.

Basic Instructional Supplies. Removes the basic supplies hotline and claims process; and instead stating that a district shall determine what constitutes basic supplies and deal with complaint. *(Sec.166b)*

MSPERS Retirement Rate. Decreases the rate published to 17.08%, and adds language specifying that this lower rate reflects the employer savings by increasing employee contributions to the system and other reforms. *(Sec. 147)*

2010 - 2011 Higher Education Budget

Senate Bill 1157, Sub. S-1 (Stamas, R-Midland) recommends higher education funding totaling **$1,569,438,500** for 2010 - 2011, $8,840,000 below the Governor's recommendation. Listed below are highlights of the Senate's budget recommendations:

University Operations: Replaces $40.5 million funding available for FY 2009-10 only from the State Fiscal Stabilization Fund under the Federal American Recovery and Reinvestment Act; and applies a 3.1% reduction to each of the 15 universities. (Central - $79,851,600; Eastern - $75,760,200; Michigan State - $282,692,500; UM-Ann Arbor - $315,147,800; UM-Dearborn - $24,639,700; UM-Flint - $20,824,900; Wayne State - $231,421,900; Western - $109,231,600.)

State Competitive Scholarship Program: Concurs with Governor to remove $1.4 million in unavailable Federal funds for this need-and-merit-based program.

Tuition Grant Program: Maintains funding at current year level. *(Sec. 302)*

Tuition Incentive Program (TIP): Restores TIP policy to its current status, adjusts for caseload/cost increases, and funds the FY 2010- 11 $37.4 million program from $30.1 million in Merit Award Trust Fund revenue and $7.3 million in Federal Temporary Assistance for Needy Families revenue. *(Sec. 310)*

ARRA Compliance: Changes establishment of P-16 longitudinal data system to a P-20 system. *(Sec. 216)*

Competitive Bidding: States intent that each university submit a report on the university's use of competitive bid processes for procurement of services, including custodial and food services. *(Sec. 482)*

Senate Bill 1157 has passed the Senate and is currently before the House Higher Education Appropriations Subcommittee for their consideration.

2010 - 2011 Community College Budget

Senate Bill 1151, Sub. S-1 (Hardiman, R-Kentwood) recommends community college funding totaling **$289,940,500** for 2010 - 2011, $9,160,000 below the Governor's recommendation. Listed below are highlights of the Senate's budget recommendations:

Community College Operations: Reduces funding for operations by 3.1%. *(Henry Ford - $20,244,600; Kirtland - $2,753,800; Lansing - $28,830,600; and Wayne County - $15,392,400)*

Renaissance Zone Reimbursements: Concurs with the Governor to reduce funding from $3,480,000 to $3,220,000 based on projected payments pursuant to Public Act 376, 1996.

At-Risk Student Success Program: Maintains FY 2009 - 2010 funding levels for each community college with full payment by November 1. *(Sec. 401)*

Capital Outlay: Restores the current language prohibiting the use of appropriations in Part 1 for the construction or maintenance of a self-liquidating project. Provides that community colleges shall comply with current Joint Capital Outlay Subcommittee (JCOS) use and finance requirements. *(Sec. 217)*

Tuition Restraint Policy: Concurs with the Governor to remove this section. *(Sec. 248)*

Senate Bill 1151 has passed the Senate and is currently before the House Community College Appropriations Subcommittee for their consideration.

Senate MPSERS Reform

Senate Bill 1227, Sub. S-6 (Gilbert, R-Algonac) gives retirement-aged public education employees **no higher multiplier over the regular 1.5 percent rate,** increases employee contributions to their retirement benefits by 3 percent, eliminates retirement dental, vision, and hearing coverage after October 1, 2010, and caps the number of years public employees can accumulate in defined benefit plan to 30 years.

Details of Senate Bill 1227 are listed below:

- ***Increase Employee Contributions.*** Effective July 1, 2010, this bill would increase employee contributions to the retirement system by three percentage points, except for those hired after July 1, 2008, whose contribution would increase by 0.9 percentage points. As a result, all Basic Plan members would pay 3% of salary, all other employees would pay $510 plus 7.3% of salary above $15,000 (except those who switched to MIP, who would have to pay $6.9% of salary).

- ***Capping Years of Service at 30.*** Employees first reaching 30 years of earned service credit on or after October 1, 2010, would be prohibited from accumulating more than 30 years of earned service credit toward the calculation of their pension allowance. This would not include purchased service credit, which could be counted toward the pension calculation. After working 30 years, an employee would become a member of the Defined Contribution (DC), or Tier 2, plan for additional years. This would not apply to employees hired after July 1, 2010.

  When an employee reaches 30 years, the earned service would be capped at 30 (or for people with more than 30 on the bill's effective date, the number of years earned at that time), and the employee would be moved into a DC plan for any additional years worked. The employer would contribute 4% of the employee's salary to the employee's Tier 2 account, and would match up to 3% of the employee's contribution to the Tier 2 account. Therefore, the employer could be required to pay a maximum of 7% of salary for this person for as long as the employee works additional years past 30 and remained an active employee, if the employee contributed 3% of salary. The employee would have to affirmatively elect not to contribute or to contribute less than 3% of salary for that lesser amount to be effective. The employee would be allowed to contribute more than 3% of salary, but the employer would not match more than 3%, after the initial 4% employer contribution to the Tier 2 (DC) account. An employee described here would be immediately vested in both his or her own contributions to the DC account, and in any employer contributions to the account.

- ***New Hybrid Pension Plan.*** Employees hired on or after July 1, 2010, would be placed in a new "hybrid" pension plan, with a blending of defined benefit (DB) and defined contribution (DC) components. A person under this plan would not be able to receive pension payments until age 60, and would be required to have worked at least 10 years as a public school employee. The purchase of service credit by these employees would be prohibited. The employee would have to contribute $510 plus 7.3% of salary above $15,000, in addition to the Tier 2 contributions described below.

  An employee under this plan would have to contribute 2% of salary to his or her Tier 2 account, unless affirmatively electing not to contribute or to contribute a lesser amount. The employer would have to match 50% of the employee's first 2% of salary contribution, for a maximum total employer payment of 1% of salary deposited into the Tier 2 account. This would be in addition to the employer cost for the DB pension of this employee. The employee would be allowed to contribute more than 2% of salary, but the employer would not match more than 1%. An employee described here would be immediately vested in his or her own contributions, and would vest in employer contributions as follows: 25% after two years of service, 75% after three years of service, and 100% after four years of service.

- ***Eliminate Dental and Vision Coverage.*** All dental, vision, and hearing benefits would be eliminated for anyone retiring after October 1, 2010. Employees retiring before October 1, 2010, would receive these benefits, with the State paying 90% of the cost as in current law. Any employee retiring after

October 1, 2010, could participate in the dental or vision coverage offered by the retirement system, but at his or her own cost, currently about $35/month for a retiree, or about $70/month for a retiree plus spouse to cover the cost of both plans.

- ***Third-Party Contracted Employees.*** Members who retire and begin drawing pensions but then return to work as contracted employees would be required to pay a portion of their salary to MPSERS equal to the percentage paid by the employer for retiree health care (currently 7.25%).

- ***Phased Retirement Option.*** Members hired after June 30, 2010 would be allowed to work up to one-half time and draw a pension at the same time if they are at least 60 years old, have worked at least half a year in each of the five years before retirement, leave services on or after June 30, 2010, and meet the requirements to earn a retirement allowance. After retirement, the allowable work schedule could be no more than 50% of the previous hours worked, and would have to commence not later than three months following retirement. The employer would have sole discretion to determine to what extent a postretirement option would be available. Each position would be for a period of one year, but could be extended annually for up to three years. Additional services credits would not be earned during the postretirement period.

The Senate version of the Governor's early retirement plan has moved out of the Senate Appropriations Committee, but was unable to muster enough votes by the full Senate to pass before the Legislature broke for its two-week spring recess. AFT Michigan opposes this legislation.

House MPSERS Reforms

House Bill 5953 (Rogers, R-Brighton) embodies the Governor's proposal for reforms for MPSERS. The Governor estimates a $701.1 million net savings to school districts for the first year, the bulk of the which would be generated through reducing the number of public school employees by replacing an average of only 90% of those who retire. Any savings derived would be experienced by the local school district, and there would be no fiscal impact for the State.

There are approximately 32,300 employees currently eligible to retire and another 6,300 who would be eligible with the purchase of service credits. Of these 38,600 potential retirees, the proposal assumes that 75%, or 28,900, will opt to retire under the plan's provisions.

House Bill 5953 would:

- ***Increases Pension Multiplier.*** Increases from **1.5% to 1.6%** for employees who are eligible to retire and leave between July 1, 2010 and August 31, 2010.

- ***Caps Years of Service.*** Caps maximum years of service at 30 as of October 1 and transfer employees into a defined contribution plan for any additional years of service subsequently accrued.

- ***3% Employee Contribution.*** Requires that **all** public school employees contribute an additional 3% of their salary toward their pension, except employees hired after July 1, 2008, who would pay an additional 0.9%. This contribution would not be required after an employee reaches 30 years of service and is transferred to the defined contribution plan.

- ***Eliminates Retiree Dental/Vision Coverage.*** School districts would no longer pay for dental, vision, or hearing premiums for school employees who retire after October 1. School employees who retire after that date would be allowed to purchase coverage through the MPSERS dental and vision plans.

- ***Phased Retirement Option.*** Includes a phased retirement option for retirees who are 60 years of age or older under which the employee could retire and draw their pension while still working part time. They would have to reduce the number of hours worked by 50% and work no more than 1,040 hours. The option would be renewed annually at management discretion, but could not exceed a total of 3 years. This would be optional by district and employee eligibility would be determined by management discretion.

- ***New Hybrid Plan.*** Moves all newly hired school employees into a hybrid pension and defined contribution system with increased final average compensation from 3 years to 9 years; eliminates cost of living adjustments; and increases minimum retirement age to 65. The added defined contribution benefit would provide a 50% employer match on a maximum employee contribution of 2% of salary.

House Bill 5953 is currently before the House Oversight and Investigations Committee. AFT Michigan opposes this legislation.

Community College Exclusion from MPSERS

Senate Bill 802 (Kuipers, R-Holland) would exclude from the Michigan Public School Employees' Retirement System (MPSERS) any person who becomes employed by a tax-supported community or junior college that submits a resolution to withdraw from MPSERS by December 1, 2010.

Under current law, a public school employee is considered to be a member of MPSERS. Under the bill, "public school employee" would not include a person who first became employed by a qualified tax-supported community or junior college on or after January 1, 2011. Service performed by a person who first becomes employed by a qualified tax-supported community or junior college on or after January 1, 2011, would be considered out-of-system public education service.

Senate Bill 802 is currently before the House Education Committee. AFT Michigan opposes the legislation.

Public Employee Health Care Benefits

Senate Bill 1046, Sub. S-6 (Jansen, R-Gaines Township) would **require** that public employers pay no more than 80.0% of the premium costs of health insurance plans. The health insurance premium paid by the employer could not exceed 90% of the total cost for a health insurance plan that includes a health savings account in combination with a high deductible health care plan.

The limitation on the employer share of a health insurance to be paid would apply to medical, dental, or optical benefits offered to public employees. Public employees would be defined as employees of the state; a county, township, village, city, or **a school district;** an authority; **a public institution of higher education;** or any other entity jointly created by two or more public employees.

The bill further states that if the requirements limiting the amount of employer-paid health insurance benefits were inconsistent with a collective bargaining agreement currently in effect, the requirements of the bill would not take effect until the collective bargaining agreement expired.

Senate Bill 1046 has been referred to the Senate Reforms and Restructuring Committee. AFT Michigan opposes this legislation.

Public Employee Health Insurance Purchase

Senate Bill 1047 (Sanborn, R-Richmond) would **allow** all public employers in Michigan to purchase employee health care coverage through the health care plan offered to State employees. Public employers would be defined as cities, villages, townships, counties, public authorities, **local school districts, public school academies, intermediate school districts, community colleges, or public institutions of higher education.**

Under the bill, if any of these employers purchased employee health care through the health care plans provided to State employees, the employer would have to pay the full cost of this coverage to the State. Senate Bill 1047 is currently before the Senate Reforms and Restructuring Committee. AFT Michigan support this legislation.

Constitutional Amendment on Public Employee Health Care

Senate Joint Resolution P, Sub. S-1 (Jansen, R-Gaines Township) proposes to amend the State Constitution of 1963 to authorize the Michigan Legislature to prescribe cost allocation requirements for health benefit plans for public employees and elected and appointed public officials.

The proposal would require any health benefits offered to state employees, local government employees, school employees, community college employees, and employees of public universities to conform to the cost allocations established by state law.

Senate Joint Resolution P is currently before the Senate Reforms and Restructuring Committee. A two/thirds vote in the full Senate and full House is required to put this proposed constitutional amendment on the ballot. AFT Michigan opposes this legislation.

District and ISD General Fund Balances

House Bill 5963 (Melton, D-Auburn Hills) would withhold state aid to school districts and intermediate school districts (ISD) with general fund balances that exceed 15 percent of the district or ISD current operating expenditure.

Starting with the December 2010, state aid payments to each district or ISD with a general fund balance that exceeds 15% of the district or ISD current operating expenditure would have its discretionary portion of foundation allowance or general operations reduced by the amount of the general fund balance exceeding 15% as of June 30 of the immediately preceding fiscal.

House Bill 5963 is currently before the House Education Committee. AFT Michigan supports this legislation.

ISD Provisions of Pupil Transportation

Senate Bill 1229 (Jelinek, R-Three Oaks) would require intermediate school districts to provide all pupil transportation services to their constituent local districts and charter schools that choose to provide busing to their students, beginning July 1, 2010. The bill also would prohibit local districts and charters from directly providing such busing.

The bill would allow an ISD to charge its constituent districts and charters using its transportation services a fee, but that fee could not exceed the cost to the ISD of providing the service. An ISD could contract for transportation services, and employ staff, but only after obtaining competitive bids. In addition, an ISD **could not enter into or renew a contract or collective bargaining agreement without first obtaining competitive bids.**

Bids would be required for any service worth more than $20,000, adjusted for inflation in future years. The Department of Education would be required to develop and make available a model competitive bid process for pupil transportation services. This process could be modeled on the competitive bid process already established for construction projects.

Senate Bill 1229 is currently before the Senate Reforms and Restructuring Committee. AFT Michigan opposes this legislation.

Contracting and Competitive Bidding

Senate Bill 1074, Sub. S-4 (Pappageorge, R-Troy) would require that before school districts, intermediate school districts, and public school academies enter into or renew a contract or collective bargaining agreement for **custodial or food service** worth $20,000 or more, they would have to obtain competitive bids for those services. Schools could contract with any person or entity to provide the services, including contracting with a group of their employees, but on a contractual basis rather than an employment basis.

Competing bids would have to be posted on the school's website, with a link on the home page of the website. The Department of Education would be required to develop and make available a model competitive bidding process, which could be based on the process for competitive bidding of construction contracts.

Senate Bill 1074 would be effective beginning June 30, 2010, however, schools would not be required to enter into new contracts until all existing **collective bargaining agreements** or contracts preventing compliance have expired.

Senate Bill 1074 is currently before the Senate Reforms and Restructuring Committee. AFT Michigan opposes this legislation.

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